

FISCAL NOTE

STATE OF ALASKA
2008 LEGISLATIVE SESSION

Fiscal Note Number: 3
Bill Version: FCCS SB 125
(S) Publish Date: 3/12/08

Identifier (file name): **FCCS SB125-DOA-DRB-02-29-08**

Title An Act relating to accounting and payment of contributions in PERS and TRS defined benefit plans.

Dept. Affected: Administration
RDU Centralized Administrative Services
Component Retirement and Benefits

Sponsor Rules Committee

Requester Governor

Component Number 64

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
	FY 2009	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
OPERATING EXPENDITURES							
Personal Services							
Travel							
Contractual	0.0	447,900.0	452,000.0	424,000.0	406,000.0	389,000.0	381,000.0
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	0.0	447,900.0	452,000.0	424,000.0	406,000.0	389,000.0	381,000.0

CAPITAL EXPENDITURES							
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CHANGE IN REVENUES ()							
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF	0.0	447,900.0	452,000.0	424,000.0	406,000.0	389,000.0	381,000.0
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	0.0	447,900.0	452,000.0	424,000.0	406,000.0	389,000.0	381,000.0

Estimate of any current year (FY2008) cost: _____

POSITIONS

Full-time							
Part-time							
Temporary							

ANALYSIS: (Attach a separate page if necessary)

This bill transforms the Public Employees' Retirement System's (PERS) defined benefit plan to a cost share plan, sets the employer contribution rate for PERS employers at 22% of PERS system payroll, provides for additional state contributions to the PERS system sufficient to make up the difference between 22% and the higher actuarially required rate, sets the Teachers' Retirement System (TRS) contribution rate at 12.56% of TRS payroll, provides for additional state contributions to the TRS system sufficient to make up the difference between 12.56% and the higher actuarially required rate, and provides for a past service rate surcharge on Defined Contribution Retiree (DCR) payrolls equal to the difference between the actuarial required contribution rate and the employer contribution rate established in this bill for both PERS and TRS consistent with language passed last session in SB 123.

(continued on page 2)

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Division: Retirement and Benefits

Approved by: Annette Kreitzer, Commissioner

Department of Administration

Phone 465-4817

Date/Time

Date

FISCAL NOTE # 3

STATE OF ALASKA
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BILL NO. FCCS SB 125

ANALYSIS CONTINUATION

The total amounts for each fiscal year are based on the sum of PERS estimated average employer contribution rates for future years in the "Actuarial Projections - Projections at Current Rate Based on Total DB and DC Payroll" from the June 30, 2006 valuation report by Buck Consultants times the estimated total payrolls beginning with \$1.813 billion in FY09 and estimating payroll growth of 4% per year, and a similar calculation for TRS. Some variation can be expected based on performance of investments above or below the actuarially assumed 8.25%, cash infusions to either or both PERS and TRS systems from any source, and/or unusual increases or decreases in underlying system payrolls.

The effect of the employer relief provided by this bill by year and plan is:

	Payroll Base	Actuarial Rate	Employer Rate	Relief Rate	Employer Relief
FY09 PERS:	\$1,813,106.0	35.22%	22.00%	13.22%	\$241,600.0
FY09 TRS:	652,242.7	44.17%	12.56%	31.61%	\$206,300.0
Total					\$447,900.0
FY10 PERS:	\$1,885,630.0	34.26%	22.00%	12.26%	\$231,000.0
FY10 TRS:	678,332.4	45.13%	12.56%	32.57%	\$221,000.0
Total					\$452,000.0
FY11 PERS:	\$1,961,055.1	32.46%	22.00%	10.46%	\$205,000.0
FY11 TRS:	705,465.7	43.59%	12.56%	31.03%	\$219,000.0
Total					\$424,000.0
FY12 PERS:	\$2,039,497.3	30.92%	22.00%	8.92%	\$182,000.0
FY12 TRS:	733,684.3	43.10%	12.56%	30.54%	\$224,000.0
Total					\$406,000.0
FY13 PERS:	\$2,121,077.2	29.54%	22.00%	7.54%	\$160,000.0
FY13 TRS:	763,031.7	42.59%	12.56%	30.03%	\$229,000.0
Total					\$389,000.0
FY14 PERS:	\$2,205,920.3	28.52%	22.00%	6.52%	\$144,000.0
FY14 TRS:	793,552.9	42.45%	12.56%	29.89%	\$237,000.0
Total					\$381,000.0

The Department understands the Legislature intends to:

- (1) Provide a one-time payment totaling \$7.2 million to employers who previously made additional payments to pay down their share of the unfunded liability (previously noted as "Heroes") and;
- (2) Provide a one-time payment totaling \$6.1 million to employers who currently pay employer contribution rates below the 22% level (previously noted as the "Hold Harmless" provision);
- (3) Provide for these one-time payments in a separate appropriation bill. An illustration of these payments provided by Legislative Finance, dated 2/26/08, is attached.

NOTE: There are employers who fall under both item (1) and (2) and the payments would be combined.

SB125 Grants (Heros & Holdharmless)						
			3 (1+2)	1	2	
ER GROUP	ER #	Employer	Total Grant (to be included in an appropriation bill)	Reimbursement of Excess Prior Contributions ("Heros")	Hold Harmless (Employer's Currently Below 22%)	Appx Coverage Provided by HH (yrs)
3	208	AKUTAN, CITY OF	138,987	-	138,987	5
3	230	ALEUTIANS EAST BOROUGH	105,262	84,452	20,810	1
3	173	ANCHORAGE, MUNICIPALITY OF	748,094	748,094	-	-
3	283	ANDERSON, CITY OF	20,310	-	20,310	5
3	171	BARROW, CITY OF	84,055	47,355	36,700	1
3	136	BETHEL, CITY OF	626,960	275,716	351,244	2
3	144	BRISTOL BAY BOROUGH	70,944	70,944	-	-
3	148	CORDOVA, CITY OF	211,035	211,035	-	-
3	282	DELTA JUNCTION, CITY OF	27,605	3,419	24,186	2
3	258	DENALI BOROUGH	29,484	29,484	-	-
3	271	EGEGIK, CITY OF	2,830	2,830	-	-
3	183	FORT YUKON, CITY OF	96,299	-	96,299	4
3	192	GALENA, CITY OF	244,880	68,486	176,394	3
3	235	HUSLIA, CITY OF	5,215	5,215	-	-
3	260	KACHEMAK, CITY OF	4,261	4,261	-	-
3	180	KENAI PENINSULA BOROUGH	702,515	702,515	-	-
3	122	KETCHIKAN GATEWAY BOROUGH	421,003	421,003	-	-
3	181	KETCHIKAN, CITY OF	816,397	816,397	-	-
3	227	KLAWOCK, CITY OF	226,965	31,917	195,048	4
3	174	KODIAK ISLAND BOROUGH	411,747	411,747	-	-
3	128	KODIAK, CITY OF	428,035	428,035	-	-
3	140	KOTZEBUE, CITY OF	259,496	-	259,496	2
3	287	KOYUK, CITY OF	471	-	471	1
3	247	LAKE AND PENINSULA BOROUGH	52,467	52,467	-	-
3	294	MOUNTAIN VILLAGE, CITY OF	15,819	-	15,819	5
3	191	NORTH POLE, CITY OF	107,535	107,535	-	-
3	220	NORTHWEST ARCTIC BOROUGH	291,620	-	291,620	4
3	134	PALMER, CITY OF	287,300	287,300	-	-
3	266	QUINHAGAK, CITY OF	27,456	3,472	23,984	5
3	198	SAXMAN, CITY OF	5,637	5,637	-	-
3	182	SEWARD, CITY OF	378,969	378,969	-	-
3	123	SOLDOTNA, CITY OF	1,276,229	1,276,229	-	-
3	169	TANANA, CITY OF	81,846	11,285	70,561	5
3	206	THORNE BAY, CITY OF	5,393	-	5,393	1
3	249	UNALAKLEET, CITY OF	24,855	24,855	-	-
3	290	UPPER KALSAG, CITY OF	8,612	-	8,612	3
3	107	VALDEZ, CITY OF	255,619	255,619	-	-
3	248	YAKUTAT, CITY AND BOROUGH	22,773	22,773	-	-
		Subtotal	8,524,979	6,789,046	1,735,933	
4	267	ALEUTIAN HOUSING AUTHORITY	80,807	-	80,807	2
4	281	BARANOF ISLAND HOUSING AUTHORITY	81,499	-	81,499	3
4	219	BARTLETT REGIONAL HOSPITAL	19,058	-	19,058	1
4	270	BERING STRAITS REGIONAL HOUSING AUTHORITY	54,288	-	54,288	2
4	223	BRISTOL BAY REGIONAL HOUSING AUTHORITY	136,782	-	136,782	3
4	262	COOK INLET HOUSING AUTHORITY	683,943	-	683,943	3
4	224	COPPER RIVER BASIN REGIONAL HOUSING AUTHORITY	227,763	-	227,763	5
4	275	ILISAGVIK COLLEGE	968,813	-	968,813	4
4	263	INTERIOR REGIONAL HOUSING AUTHORITY	188,409	-	188,409	3
4	284	INTER-ISLAND FERRY AUTHORITY	240,152	-	240,152	4
4	276	NORTH PACIFIC RIM HOUSING AUTHORITY	58,702	-	58,702	2
4	288	NORTHWEST INUPIAT HOUSING AUTHORITY	102,171	-	102,171	3
4	187	PETERSBURG MEDICAL CENTER	576,238	405,161	171,077	2
4	293	TAGIUGMIULLU NUNAMIULLU HOUSING AUTHORITY	455,082	-	455,082	5
4	279	TLINGIT-HAIDA REGIONAL HOUSING AUTHORITY	117,891	-	117,891	2
		Subtotal	3,991,596	405,161	3,586,435	-
5	162	ALEUTIAN REGION SCHOOL DISTRICT	73,608	-	73,608	5
5	103	ANNETTE ISLAND SCHOOL DISTRICT	365,510	-	365,510	4
5	196	NENANA CITY SCHOOL DISTRICT	103,461	-	103,461	2
5	154	NORTHWEST ARCTIC BOROUGH SCHOOL DISTRICT	81,072	-	81,072	1
5	257	PELICAN CITY SCHOOL DISTRICT	7,653	-	7,653	2
5	221	SAINT MARY'S SCHOOL DISTRICT	14,439	-	14,439	1
5	225	SKAGWAY CITY SCHOOL DISTRICT	46,607	-	46,607	3
5	264	YAKUTAT SCHOOL DISTRICT	9,583	-	9,583	1
5	195	YUPIIT SCHOOL DISTRICT	42,442	-	42,442	1
		Subtotal	744,377	-	744,377	
		TOTAL	13,260,952	7,194,207	6,066,745	